

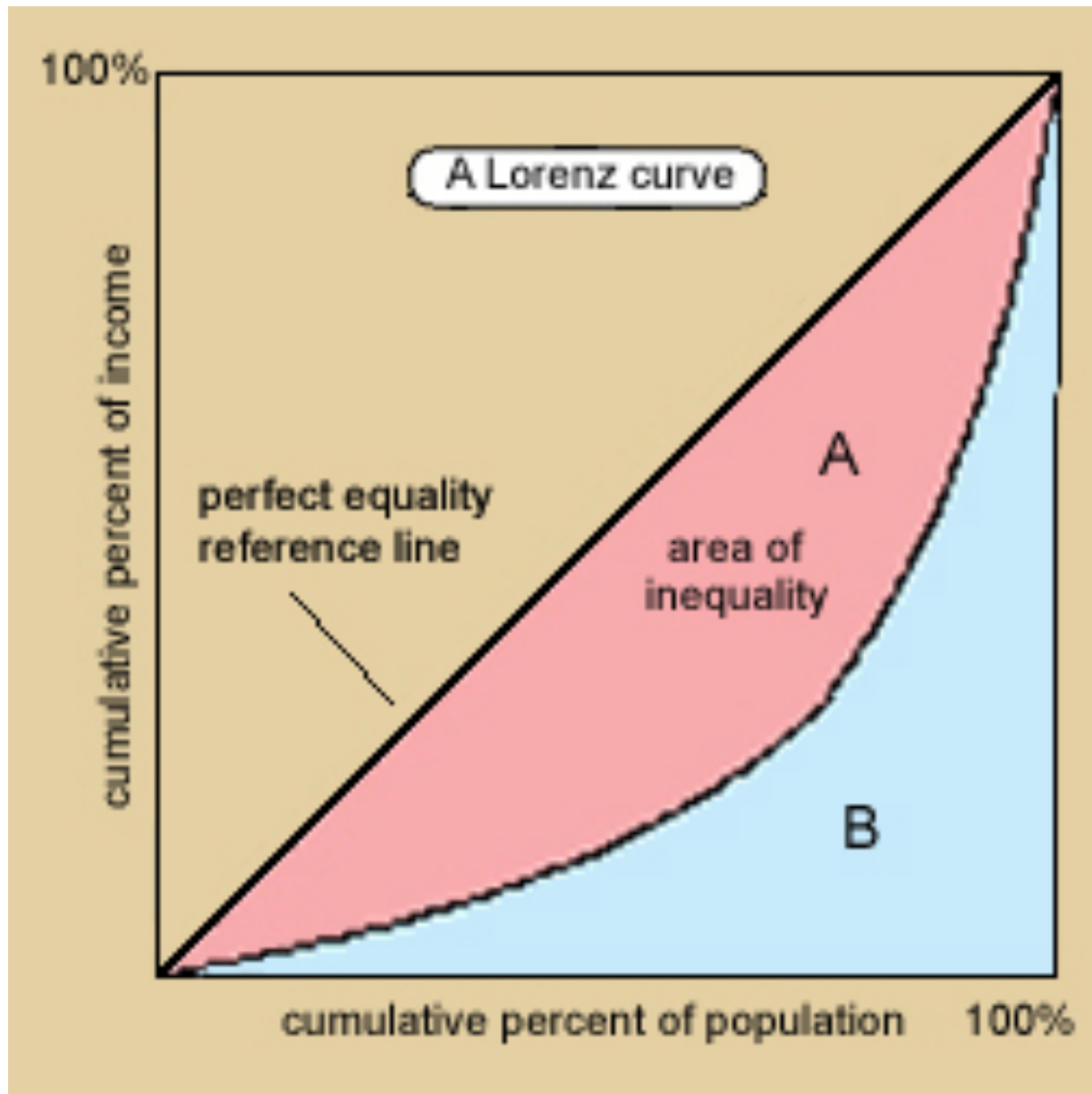
Free-response

What are the determinants of economic growth? Use an AS-AD diagram and a production possibilities graph to illustrate economic growth.

Consequences of Growth

- Income distribution
 - Higher per capita income
 - Greater income inequality
- Negative externalities
- Sustainability

Lorenz Curve



Lorenz Curve and Gini Coefficient

A Gini coefficient can be calculated using areas on this Lorenz curve. The 45 degree line would reflect absolutely even distribution of income.

The pink shaded area **A** between the line of perfect equality and Lorenz curve reflects inequality.

The blue area underneath the Lorenz curve is **B**, and the Gini coefficient can now be calculated as **$A/(A+B)$** . Gini coefficients are often expressed as percentages.

Kuznets Ratio and Kuznets Curve

